

**Legislative Department
Seattle City Council
Memorandum**

To: City Council Select Committee
From: Christa Valles, Council Central Staff
Subject: Seattle Preschool Program
Date: May 22, 2014

When the City Council passed Resolution 31478 on September 23, 2013, it set a goal to create a voluntary, high quality preschool program in Seattle. Resolution 31478 also initiated a process to design the program and identify funding to enact this goal. On May 16, 2014, the Mayor presented his Seattle Preschool Program Action Plan (“Action Plan”) to the City Council Select Committee on Preschool. The proposed schedule for consideration of a Seattle Preschool Program ballot measure is as follows:

May 16	Presentation of Mayor’s proposed Action Plan for a Seattle Preschool Program
May 23	Central Staff memo and Council discussion
May 27	Results of EMC parent survey (Council Briefings)
May 29	Public Hearing (5.30 pm at Jefferson Community Center)
May 30	Review of proposed ballot measure ordinance & policy guidance resolution
June 6	Discussion and possible Select Committee vote
June 16 or 23	Full Council vote

In this memo, I provide a high level analysis of the Action Plan and highlight several issues for Council consideration. My conclusions are summarized below, with greater elaboration on some of these points contained in the body of the memo.

Summary

- A certain level of preschool quality is required to achieve positive child outcomes. In turn, without positive child outcomes, it is difficult to justify a public investment in preschool. The Action Plan is consistent with the emerging body of evidence as to the key elements needed to create a high quality preschool program.
- It will take time to build a high quality preschool program in Seattle that reaches a large number of children. Simply defining the framework for what constitutes high quality does not make it so.
- How well the Action Plan is implemented, and how closely program quality standards are adhered to, will dictate whether the City succeeds in creating consistently high quality preschool programs across the city in a cost-effective and sustainable manner.
- Given the current system constraints across Seattle’s preschool landscape, the Mayor’s proposal for a four year “demonstration” phase and relatively modest ramp up appears both necessary and judicious.

- The State Department of Early Learning (DEL) has made impressive strides with limited resources in introducing greater consistency and cohesion into the State’s early learning landscape. The City should make every effort to partner closely with DEL on program standards, IT systems, assessment, research and evaluation, and teacher coaching to avoid creating system inefficiencies and conflicting standards as to what constitutes high quality preschool.
- The Action Plan contemplates a mixed delivery system in which the City will contract with both private providers and Seattle Public Schools (SPS). While a mixed-delivery approach adds logistic complexities and reduces economies of scale, it allows the City to take advantage of existing community capacity. That said, many parents will be attracted to preschools that are closely linked to their children’s future elementary school. Thus, the City should work with SPS to deliver some portion of the Seattle Preschool program directly as well as ensure strong child transitions from private center-based preschools to SPS kindergarten classrooms.
- The Executive plans to submit a legislative package next week that enables Council to adopt the Action Plan. The legislative package will include an ordinance to place a Seattle Preschool Program ballot measure before the voters and a resolution outlining what details will be addressed in a future “Implementation Plan”, including how to allocate access when demand exceeds supply, a process for soliciting on-going meaningful input from stakeholders, rules governing tuition assistance, the particulars of the provider selection process, and a comprehensive evaluation strategy. Council review and approval of the Implementation Plan will be required before program implementation can begin.
- Consistent with the Statement of Legislative Intent adopted by the Council during its budget process last year that called for the Executive to create a Department of Education and Early Learning, the City should ensure all early learning services and programming currently housed in the Office for Education (OFE) and the Human Service Department (HSD) are combined into a single department prior to implementing the Seattle Preschool Action Plan.
- Although high quality preschool programs show a positive return on investment, upfront costs are substantial. The City and its partners should work together to actively identify and pursue other potential sources of funding to help offset the long term and on-going costs associated with this program.

Issues and Questions

1. Does the Action Plan contain the necessary elements needed to create a high quality preschool program?

A certain level of preschool quality is required to achieve positive child outcomes. In turn, without positive child outcomes, it is difficult to justify a large public investment in preschool. A recently completed meta-analysis examines the existing body of research on preschool programs and identifies two types of features that contribute to child gains in language, literacy, math, and social skills.¹ Features related to “process quality” have a significant impact on child gains while components of “structural quality” help create the conditions by which process quality can exist.

¹ Investing in Our Future, The Evidence Base on Preschool Education, Hirokazu Yoshikawa, Christina Weiland, et. al, October 2013.

Process Quality Features	Structural Quality Features
<ul style="list-style-type: none"> • Interactions that support learning, higher-order thinking skills and content learning, such as math and language. • Warm and responsive teacher-child relationships with “serve and return” interactions that encourage conversation and elaborations on given topics. 	<ul style="list-style-type: none"> • Teacher credentials • Smaller class sizes • Ratios of staff to children • Physical space • “Dosage” (in-class time)

Much of the research to date has focused on preschool interventions for low-income children. Many states, such as our own, limit preschool services to low-income children. Only a handful of states have achieved both high quality and high access.² The meta-analysis singled out the Boston and Tulsa programs as two programs that have achieved high quality and don’t exclusively target low income children. Both of these programs contain a combination of the following program elements:

- High program standards
- Attention to teacher qualifications and compensation
- Additional on-going on-site quality supports
- Quality Monitoring

The meta-analysis also notes the importance of an evidenced-based classroom curriculum. And while rigorous research on effective curricula is limited, instances where curricula were successfully implemented involved classroom coaching where teachers received feedback and support at least twice per month.

Central Staff Comments

The Action Plan is sensitive to all the key elements noted above, and thus, contains the framework necessary to create a high quality preschool program in Seattle. A critical component of the Seattle Preschool Program is to increase compensation for preschool teachers with appropriate credentials. It is envisioned that preschool teachers with credentials similar to public school teachers will receive similar compensation.

In addition, the Action Plan proposes to use DEL’s Early Achiever Quality Rating and Improvement System (QRIS) to monitor and gauge preschool provider quality. The City’s adoption of DEL’s Early Achiever QRIS program will contribute towards the creation of a shared understanding of high quality preschool. Moreover, the Early Achiever program includes teacher coaching resources that can help offset the costs of the City’s coaching investments.

2. Does a 4-year levy time frame make sense?

The Seattle Preschool Program demonstration phase would begin in 2015 and run through the 2018-19 school year. The Action Plan proposes to pay for the demonstration phase through the collection of a \$58 million property tax levy that would run from January 2015- December 2018. For a residential

² Oklahoma, West Virginia, Georgia, and Washington DC are often cited as meeting both of these tests.

home valued at the median, or \$412,000, the annual cost would be approximately \$43. Levy revenues would be collected through the end of 2018.

As shown below, \$79.7 million in program expenditures are offset by \$23.4 million in revenues. Revenues are expected to cover approximately 29% of total program costs. 20% of the revenues are projected to come from existing public revenue streams, while just 9% is projected to come from family tuition. This is partly because more low income children are expected to be served during the demonstration phase, including children already participating in the State's ECEAP and Seattle's Step Ahead program, reducing the amount the City collects from tuition.

	2015	2016	2017	2018	2019 (8 mos.)	TOTAL
<u>Program Costs</u>						
Provider Costs	\$1,053,928	\$4,731,254	\$10,162,059	\$17,108,285	\$14,555,521	\$47,611,047
OFE Costs	\$2,877,906	\$3,545,990	\$4,480,981	\$5,557,326	\$4,046,891	\$20,509,094
Subtotal Program Costs	\$3,931,834	\$8,277,244	\$14,643,040	\$22,665,611	\$18,602,412	\$68,120,141
<u>Capacity Building Costs</u>						
Educators	\$69,945	\$235,930	\$305,401	\$340,069	\$226,861	\$1,178,206
Coaches	\$4,436	\$7,769	\$13,752	\$16,379	\$9,879	\$52,215
Organizational Capacity Building	\$33,333	\$100,786	\$103,163	\$105,595	\$71,495	\$414,372
Classroom Equipment & Supplies	\$67,966	\$253,090	\$384,594	\$451,008	\$300,910	\$1,457,568
Facility Construction/Renovation	\$1,166,667	\$2,000,000	\$2,000,000	\$2,000,000	\$1,333,333	\$8,500,000
Subtotal, Capacity Building Costs	\$1,342,347	\$2,597,575	\$2,806,910	\$2,913,051	\$1,942,478	\$11,602,361
SUBTOTAL, ALL COSTS	\$5,274,181	\$10,874,819	\$17,449,950	\$25,578,662	\$20,544,890	\$79,722,502
<u>Program Revenues</u>						
Tuition	\$140,860	\$683,367	\$1,541,202	\$2,554,823	\$2,158,020	\$7,078,272
Head Start	\$42,137	\$170,537	\$304,969	\$445,646	\$361,514	\$1,324,803
ECEAP	\$80,041	\$323,940	\$579,297	\$846,517	\$686,706	\$2,516,501
Step Ahead Families & Ed Levy Leveraged Funds	\$177,707	\$721,659	\$1,297,670	\$1,892,597	\$1,524,477	\$5,614,110
	\$113,533	\$447,855	\$765,035	\$1,086,811	\$879,798	\$3,293,032
WCCC	\$41,632	\$164,767	\$283,446	\$400,014	\$318,259	\$1,208,118
CCAP	\$16,880	\$65,212	107,297	\$134,230	\$90,882	\$414,501
CACFP	\$38,383	\$186,212	\$419,965	\$696,168	\$588,042	\$1,928,770
Subtotal, Program Revenues:	\$651,173	\$2,763,549	\$5,298,881	\$8,056,806	\$6,607,698	\$23,378,107
Net Program Cost:	\$4,623,008	\$8,111,270	\$12,151,069	\$17,521,856	\$13,937,192	\$56,344,395
+3% Contingency:	\$138,690	\$243,338	\$364,532	\$525,656	\$418,116	\$1,690,332
TOTAL:	\$4,761,698	\$8,354,608	\$12,515,601	\$18,047,512	\$14,355,308	\$58,034,727

Central Staff Comments

The proposed Seattle Preschool Program levy is set to expire at the end of 2018, which is the same year in which the City's existing Families and Education Levy ends. The \$231.5 million Families and Education Levy currently funds a variety of Prek-12 investments, including a relatively small scale preschool program in Southeast Seattle for three and four year olds from households at or below 300%

of the Federal Poverty Level (FPL). Given the size of the existing Families and Education Levy, as well as the prospective size of the Seattle Preschool Program at full implementation (see below), it is likely the City will need to prioritize investments if it plans to develop a joint levy renewal measure for voter consideration in 2019. That said, examining the City’s educational investments in a comprehensive manner at the same time makes a certain amount of sense and the Action Plan’s proposed time frame is consistent with this logic.

3. What will full implementation of a Seattle Preschool Program Cost?

Assuming future program costs will settle somewhere around \$15,000 per child (in 2014 \$), a Seattle Preschool Program could cost, at full participation, over \$100 million per year.³ The *net* cost of a full-scale program is more difficult to project at this time given future revenues from tuition and other sources are partly based on participation assumptions that may or may not hold. In addition, the Executive is somewhat hesitant to project the long-term on-going costs of a Seattle Preschool program because there is some expectation the City can identify additional revenue sources during the demonstration phase to offset the share of program costs borne by the City. It is also expected that current cost and revenue projections are likely to change as a result of “lessons learned” during the demonstration phase.

Central Staff Comments

Future program costs are likely to be significant under any scenario, thus it makes sense to seek additional outside revenue sources to help offset future program costs. Most locally administered preschool programs are either limited in scope and/or rely on a combination of state and school district funds to cover the bulk of program costs. Aside from Washington D.C., there is currently no other local jurisdiction that funds universal preschool for three and four year olds and covers the majority of program costs with City general fund dollars or city property taxes, although the City of San Antonio recently implemented a preschool program funded by a 1/8 cent increase in the local sale tax rate that targets four year olds in certain school districts from families earning at or below 185% of FPL.

4. Is the proposed ramp up schedule contemplated in the Action Plan appropriate?

According to the “Gap Analysis” report completed early this year, there were approximately 12,280 three and four year olds in Seattle in 2012.⁴ The Gap Analysis estimates approximately 7,736 - 8,964 of all three and four year olds in Seattle attend some type of preschool or childcare program.⁵ The Action Plan assumes a 4-year ramp up strategy that will create 2,000 slots by the 2018-19 school year.

	SY 2015-16	SY 2016-17	SY 2017-18	SY 2018-19
3 year olds	90	259	461	660
4 year olds	190	521	939	1,340
Total	280	780	1,400	2,000
Classrooms	14	39	70	100

At full implementation, the City can likely expect no more than 80% of all eligible four year olds to participate in the Seattle Preschool program. Full participation is almost never realized because some

³ Based on current population estimates, proposed eligibility rules, and projected take-up rates, per table on p.6.

⁴ Analysis of Preschool Enrollment, Berk and Associates, January 21, 2014

⁵ The Gap Analysis did not, however, ascertain either the quality of care or whether care was full-time or part-time.

number of families opt to keep their children at home or prefer private care.⁶ For illustrative purposes, the table below shows the percent of three and four year olds who would be served by the end of the four year demonstration phase, assuming population remained static.⁷

	3 year olds	4 year olds	Total
2012 population estimate	6,451	5,831	12,282
# Eligible (100% 4 yr olds; 3 yr olds up to 300% of FPL).	2,626	5,831	8,457
Eventual Take-Up Rate	70%	80%	
Estimated # Eligible at Full Take-up	1,838	4,665	6,503
Estimated # served by 2018- 19	660	1,340	2,000
% of Eligible served by 2018-19	36%	29%	31%

Central Staff Comments

The proposed ramp-up strategy may, at first blush, appear modest, but a number of capacity and system constraints, both external and internal, dictate a need for a slower ramp-up. Implementing a high quality preschool program at scale will be a logistically challenging and complex undertaking as the current preschool landscape lacks cohesion, consistency and a shared definition of quality. System capacity is lacking on a number of fronts, including an adequate supply of trained teachers, teacher coaches, consistent training resources for teachers and preschool directors, adequate facilities, and coordination among higher education offerings.

In addition, the City will need to do some capacity building of its own. In many ways, an at-scale high quality preschool program represents a new line of business for the City. While the City has some experience administering a preschool program through its Step Ahead program, the size and growth of Step Ahead, which has been operating since 2005 and just reached 449 slots in 2013-14, has been relatively small. And even with this incremental growth, most Step Ahead preschools are not at the level of classroom instructional quality the City ultimately wants to achieve. In light of this, the Mayor’s proposal for a four year “demonstration” period and relatively modest ramp up appears both necessary and wise. A slower ramp up has the added value of giving current preschool providers ample time to adjust to new standards and expectations should they choose to participate.

5. Should three year olds be included in the initial demonstration phase?

The majority of state funded preschool programs focus exclusively on four year olds.⁸ President Obama’s preschool initiative also focuses exclusively on four year olds. Resolution 31478 (Section 4A2) states that four year olds should be prioritized during the first phase of the Action Plan followed by a second phase that would include three year olds. The proposed Action Plan, however, contemplates both three and four year olds would be concurrently eligible for selection into the program during the demonstration phase, though the Action Plan also proposes to limit three year old eligibility to families making 300% of FPL, or \$59,370 for a household of three.

⁶ In Oklahoma, one of the few states with high quality universal preschool for four year olds, the take-up rate is 74%.

⁷ After applying a .65% annual growth rate to the 2012 population estimates (based on OFM growth projections for 0-4 year olds), the percentage served by the end of the four year demonstration period decreased slightly as more three and four year olds would become eligible, resulting in 34% of three year olds and 28% of four year olds being served by 2018-19.

⁸ The Impacts of Expanding Access to High-Quality Preschool Education, Cascio, Whitmore Schanzenbach, National Bureau of Economic Research, December 2013

Considerations

- The proposed Action Plan is silent on whether access for four year olds would be prioritized over three year olds.
- Most publically funded preschool programs focus exclusively on four year olds, or prioritize access to four year olds over three year olds.
- Both Washington State's ECEAP and Head Start preschool programs prioritize children who are four years old by August 31 and accept children who are three years old by August 31 only when space is available.
- The City's Step Ahead preschool program is open to three and four year olds from households earning up to 300% of the FPL. It does not currently prioritize four year olds over three year olds.
- According to the meta-analysis, few studies have examined the relative impact of one year of preschool vs. two years and no study involves the more rigorous research design of random assignment. Moreover, all of the relevant studies have focused on lower-income children, so there is not a strong research base to support investing in two years of preschool for children across the income spectrum.⁹
- New Jersey's preschool program, which primary serves low-income students, has observed greater gains from two years of preschool vs. one year of preschool.¹⁰

Central Staff Comments

Given there is limited research and cost-benefit analysis of one year vs. two years of preschool, and that existing research indicates the marginal benefits of preschool are greater for low income children than other income groups, it makes sense to limit participation of three year olds based on income. And while 300% of the FPL is not considered low income, it falls within the median income range and families hovering near the median can be hard pressed to pay for preschool. In addition, the Action Plan anticipates that Head Start, Step Ahead, and ECEAP programs operating in Seattle will eventually participate in the Seattle Preschool Program. Thus, it's not unreasonable to include some category of three year olds at the lower income levels during the demonstration phase, though it does add significantly to costs.

That said, in the early years of scaling up the Seattle Preschool Program, demand will outstrip supply. Including three year olds without prioritizing access for four year olds could mean some four year olds are denied a spot while some three year olds will receive two years of publically subsidized preschool. Thus, *Council may want to consider providing policy direction that would prioritize access to four year olds*, which would mean eligible three year olds would only be given a spot at preschools when there are no four year olds on the waitlist. This would have the added benefit of aligning with Head Start and ECEAP programs on this point.

6. Is the proposed sliding scale fee in the Action Plan appropriate?

Resolution 31478 envisioned a sliding scale fee for families above the 200% FPL, but it did not provide detailed direction on what this fee schedule should look like. The Action Plan proposes a sliding scale fee schedule in which households at or below 200% of the FPL would pay nothing, while most households above that level would pay some percentage of the cost. The Action Plan's proposed

⁹ Hirokazu Yoshikawa, Christina Weiland, et. al

¹⁰ Recommendations for Seattle Preschool for All Action Plan, Berk Consulting, May 2, 2014

sliding scale fee for a family of three is as follows¹¹, along with OFE’s estimate of the projected percent of participating children at each income level:

Federal Poverty Level (Minimum To Maximum)	HH of 3, Maximum Household Income	Annual Copay Amount (2014)	% of Average Provider Payment (\$10,700)	% of family income at min & max	
0-110%	\$21,769	\$0	-	-	-
110-130%	\$25,727	\$0	-		
130-185%	\$36,611	\$0	-	-	-
185-200%	\$39,580	\$0	-	-	-
200-250%	\$49,475	\$535	5%	1.4%	1.1%
250-300%	\$59,370	\$1,071	10%	2.2%	1.8%
300-400%	\$79,160	\$2,142	20%	3.6%	1.8%
400-500%	\$98,950	\$3,212	30%	4.1%	3.2%
500-600%	\$118,740	\$4,283	40%	4.3%	3.6%
600-700%	\$138,530	\$5,354	50%	5%	4%
700-800%	\$158,320	\$6,425	60%	5%	4.1%
800-900%	\$178,110	\$7,495	70%	4.7%	4.2%
900-1000%	\$197,900	\$8,566	80%	4.8%	4.3%
1000%	n/a	\$9,637	90%	4.9%	

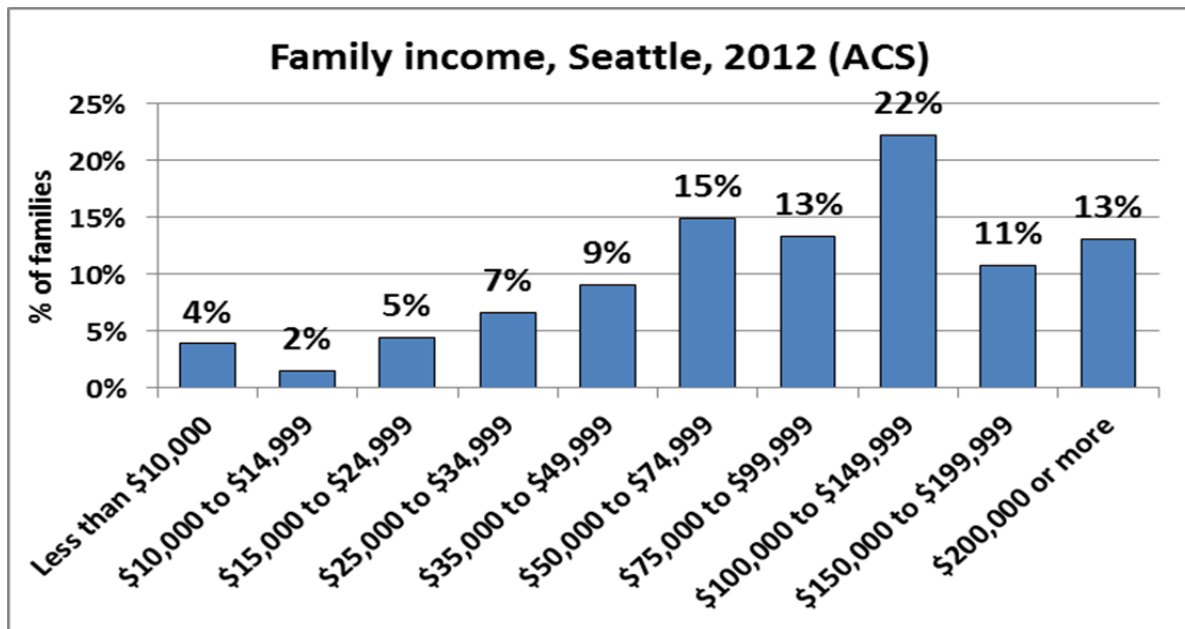
Considerations

- According to a 2008 Pew Charitable Trust Study, of the 38 states that fund preschool programs for four year olds, 20 used family income as a criterion for eligibility. In most of these states, families earning more than 200% of FPL were not eligible to participate.¹²
- The sliding scale fee is based on a typical school day schedule, i.e., five days a week, six hours a day, 180 days a year and an average provider payment of \$10,700.
- The Action Plan budget assumes approximately 9% of program costs will be covered by tuition, which is derived from the above participation rate estimates. These estimates represent a “best guess”, thus, they may not be accurate.
- Participation estimates assume approximately 68% of participating children will be from families at or below 300% of FPL during the demonstration phase while just over 20% will be from families earning \$100,000 or more.
- The median household income in Seattle in 2012 was \$64,473. The median family income in 2012 was 90,086.¹³
- According to the chart below, almost 46% of families in Seattle have a household income above \$100,000.

¹¹ According to the 2010 census, the average *family* size in Seattle was 2.87. Thus, I include the Action Plan’s proposed sliding scale fee for a household of three vs. four.

¹² The pre-k pinch, Early Education and the Middle Class, Albert Wat, Prek Now, October, 2008.

¹³ Numbers provided by Susan Kinne, Seattle-King County Department of Public Health.



- The City anticipates lower income households will receive financial support (though State and City childcare subsidy programs) to pay for costs associated with extended day care beyond the six hour school day. Upper income families who desire extended day care will be responsible for covering this additional expense.
- Research has shown that mixed income classrooms can yield positive peer effects that lead to better child outcomes, so the goal of mixed income classrooms is admirable. However, providing a generous subsidy to upper incomes will not necessarily result in mixed income classrooms. And while demonstration phase costs are relatively inexpensive, future program costs are anticipated to be much greater.
- Cost is but one factor in choosing a preschool for families, though for lower income levels, it can be a driving factor. And for upper income families, there will be a tipping point by which the sliding scale fee could factor into its decision to participate. But at this time, it's impossible to know what this tipping point is given the host of other factors that will influence a family's decision to participate, especially in the early years when the location and supply of Seattle Preschool programs will be limited in number and location.¹⁴

Central Staff Comments

Given that it's difficult to predict whether the City will be successful in identifying other non-city revenues to help offset the long term on-going future costs of a high quality preschool program at scale, *it may be advisable to start with a more conservative sliding scale fee schedule during the demonstration phase*, especially if Councilmembers think it will be easier to lower the sliding scale fee in the future vs. raise it. An alternative approach to setting the sliding scale fee could be to calculate fees based on a percent of family income vs. percent of provider costs. Regardless of where Council lands on the initial sliding scale fee schedule, perhaps the single best thing the City can do to attract middle and upper income families to the Seattle Preschool Program is to demonstrate these preschools will offer a consistent level of high quality learning for their children that is equal to or better than what they could receive from a non-participating provider.

¹⁴ Most parents prefer to send their children to preschools that are located close to home or work.

Federal Poverty Level by Family Size

Federal Poverty Level (Minimum To Maximum)	Maximum Household Income, Family of 2	Maximum Household Income, Family of 3	Maximum Household Income, Family of 4
0-110%	\$17,303	\$21,769	\$26,235
110-130%	\$20,449	\$25,727	\$31,005
130-185%	\$29,100	\$36,611	\$44,123
185-200%	\$31,460	\$39,580	\$47,700
200-250%	\$39,325	\$49,475	\$59,625
250-300%	\$47,190	\$59,370	\$71,550
300-400%	\$62,920	\$79,160	\$95,400
400-500%	\$78,650	\$98,950	\$119,250
500-600%	\$94,380	\$118,740	\$143,100
600-700%	\$110,110	\$138,530	\$166,950
700-800%	\$125,840	\$158,320	\$190,800
800-900%	\$141,570	\$178,110	\$214,650
900-1000%	\$157,300	\$197,900	\$238,500
1000%	n/a	n/a	n/a

